

Message Text

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PAGE 01 STATE 250500

40

ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 AGR-05 ISO-00 SS-15 SP-02 L-03

H-02 NSC-05 CIAE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 STR-04 CEA-01 CIEP-01 OMB-01 COME-00 TRSE-00

TAR-01 FRB-03 SIL-01 LAB-04 /090 R

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TREASURY:JSCHOTT
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EA/J:DSMITH
COMMERCE:BWATKINS

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R 212302Z OCT 75
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO
INFO USMISSION GENEVA
USDEL MTN GENEVA
USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS:ETRD, GATT

SUBJECT: U.S. DUTY ON JAPANESE CAB CHASSIS

1. JAPANESE EMBASSY OFFICIALS (YOKOYAMA AND KAWAHARA) MET WITH DEPUTY ASSISTANT SECRETARY GLITMAN ON OCTOBER 9. (THEY HAD PREVIOUSLY MET WITH COMMERCE ASSISTANT SECRETARY REED ON OCTOBER 7). MAJOR SUBJECT OF DISCUSSION WAS THE TREASURY DEPARTMENT REVIEW OF POSSIBLE U.S. TARIFF RECLASSIFICATION OF AUTOMOBILE TRUCKS (PICKUPS AND VANS). CURRENTLY, U.S. IMPORTS OF JAPANESE TRUCKS ARRIVE IN THE
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PAGE 02 STATE 250500

U.S. IN A DISASSEMBLED FORM (WITH THE PICKUP BED OR CARGO

BOX REMOVED) UNDER TSUS. 692.20.00, AND AT A 4 DUTY RATE. THE TRUCKS ENTER IN THIS FASHION IN ORDER TO AVOID A TEMPORARILY IMPOSED DUTY OF 25 ON ASSEMBLED TRUCKS VALUED AT OVER \$1000 UNDER TSUS. 692.02.00. THIS DUTY RATE WAS RAISED FROM 8.5 IN 1963 TO COUNTER THE IMPOSITION OF VARIABLE LEVIES ON U.S. POULTRY BY THE EC (I.E. THE "CHICKEN WAR"). THE JAPANESE EXPRESSED CONCERN THAT THE RECLASSIFICATION OF JAPANESE IMPORTS AS UNFINISHED TRUCKS, THUS DUTIABLE AT 25, WOULD IMPOSE AN UNJUSTIFIED ECONOMIC HARDSHIP ON THEIR TRUCK INDUSTRY. FULL TEXT OF THE AIDE-MEMOIRE DELIVERED TO GLITMAN FOLLOWS.

2. TEXT OF AIDE-MEMOIRE. ON SEPTEMBER 2, THE DEPARTMENT OF THE TREASURY GAVE NOTICE THAT THE CUSTOMS SERVICE IS REVIEWING ITS LONGSTANDING CLASSIFICATION OF CAB CHASSIS (CONSISTING OF FRAME, SUSPENSION SYSTEM, WHEELS, ENGINE, STEERING MECHANISM AND CAB) WITHOUT BODIES, HAVING NO CARGO CARRYING CAPACITY IN THEIR CONDITION AS IMPORTED. THEY ARE CURRENTLY CLASSIFIED UNDER THE PROVISION FOR CHASSIS FOR AUTOMOBILE TRUCKS, IN ITEM 692.20, TARIFF SCHEDULE OF THE UNITED STATES (TSUS), AND ARE DUTIABLE AT THE RATE OF 4 PERCENT AD VALOREM. THE CAB CHASSIS IN QUESTION ARE IMPORTED SOLELY FROM JAPAN.

IT HAS BEEN CONTENDED THAT THE DESCRIBED ARTICLES ARE UNFINISHED TRUCKS. THEREFORE, THEY SHOULD BE CLASSIFIED UNDER THE PROVISION FOR AUTOMOBILE TRUCKS VALUED AT \$1,000 OR MORE, IN ITEM 692.02, TSUS, DUTIABLE AT THE MODIFIED RATE OF 25 PERCENT AD VALOREM UNDER ITEM 945.69, TSUS.

THE CURRENT CLASSIFICATION HAS BEEN IN USE BY THE CUSTOMS SERVICE SINCE SAID ARTICLES WERE FIRST IMPORTED INTO THE UNITED STATES. OVERTURNING THIS LONG-ESTABLISHED CLASSIFICATION WOULD MEAN A DUTY INCREASE OF UNPRECEDENTED SIZE. THIS COULD POSE AN IMPEDIMENT TO THE CONTINUED STABILITY OF TRADE BETWEEN JAPAN AND THE UNITED STATES. MOREOVER, IN VIEW OF THE PURPOSE OF THE GATT, SUCH AN INCREASE COULD HAVE AN ADVERSE EFFECT ON THE STEADY GROWTH OF INTERNATIONAL TRADE.

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PAGE 03 STATE 250500

IN CONSIDERATION OF THE CLOSE TRADE RELATIONS BETWEEN JAPAN AND THE UNITED STATES AS WELL AS THE EFFORTS BEING MADE UNDER THE GATT, THE GOVERNMENT OF JAPAN STRONGLY URGES THAT THE UNITED STATES CUSTOMS SERVICE MAINTAIN THE CURRENT CLASSIFICATION.

IT WOULD BE APPRECIATED IF THE DEPARTMENT OF STATE WOULD

INFORM THE DEPARTMENT OF THE TREASURY OF THE ABOVE FINDINGS BY THE GOVERNMENT OF JAPAN.

3. DURING THE COURSE OF THE MEETING, JAPANESE EXPRESSED FEAR THAT ACTIONS BY THE U.S. GOVERNMENT, SUCH AS THE TARIFF RECLASSIFICATION OF UNFINISHED TRUCKS, INDICATED A MOVE TOWARDS U.S. PROTECTIONIST TRADE POLICY. GLITMAN ASSURED THEM THAT WHILE PROTECTIONIST SENTIMENT IS PERHAPS MORE NOTICEABLE IN TIMES OF RECESSION, U.S. POLICY TOWARDS GREATER LIBERALIZATION OF TRADE WOULD CONTINUE AND THE TREASURY REVIEW WAS NOT IN ANY WAY MOTIVATED BY PROTECTIONIST FEELINGS. GLITMAN EMPHASIZED

THE NEED TO MAINTAIN PROGRESS IN THE MTN'S ON MAJOR TRADE POLICY ISSUES AS WELL AS WORKING TOWARDS REDUCING TARIFF AND NON-TARIFF MEASURES.

4. FYI: THE CUSTOMS SERVICE INVESTIGATION WAS INTERNALLY INITIATED AND WAS DIRECTED TOWARDS EXAMINING IMPORTS OF TRUCKS FROM ALL COUNTRIES, NOT ONLY FROM JAPAN. THE JAPANESE HAVE BEEN IN CONTACT WITH THE CUSTOMS SERVICE AND WERE INFORMED OF THE NATURE OF THE INVESTIGATION WHICH IS ONLY INFORMATION GATHERING AT THIS STAGE. THE JAPANESE HAVE ALSO BEEN NOTIFIED OF PUBLIC HEARINGS ON THIS ISSUE WHICH WILL EXTEND INTO DECEMBER. INGERSOLL

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